

Message Text

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14

ACTION ARA-20

INFO OCT-01 ISO-00 SCEM-02 INT-08 AID-20 CIAE-00 COME-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 DODE-00

PM-07 H-03 L-03 NSC-10 PA-04 PRS-01 SS-20 USIA-15

DRC-01 (ISO) W

----- 054374

R 192130Z DEC 73

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 5804

INFO AMEMBASSY CARACAS

AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

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E.O. 11652: N/A

TAGS: ENERG, CS

SUBJECT: ENERGY CRISIS--CONTROVERSY OVER \$5 MILLION CREDIT

REF: SAN JOSE 4421

1. SUMMARY: AN EXECUTIVE DECREE CALLING FOR A \$5 MILLION CREDIT LINE AT THE CENTRAL BANK WAS SIGNED ON DECEMBER 12. THE DECREE WILL PROBABLY RUN INTO CONSIDERABLE CONTROVERSY IF THE ASSEMBLY CAN MUSTER A QUORUM TO CONSIDER IT. END SUMMARY.

2. ON DECEMBER 12 THE GOCR ISSUED A FOLLOW-UP DECREE TO THE PUBLIC CALAMITY DECREE ISSUED ON DECEMBER 11. (SEE REFTTEL.) BOTH DECREES, WHICH GO
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INTO EFFECT UPON PUBLICATION, APPEAR IN THE DECEMBER 14

ISSUE OF LA GACETA. THE SECOND DECREE AUTHORIZES THE MINISTER OF FINANCE TO OBTAIN A LOAN FROM THE NATIONAL BANKING SYSTEM FOR COLONES 33,100,000 (APPROXIMATELY \$5 MILLION). THE SUM IS TO BE DEPOSITED IN A SPECIAL ROTATING FUND IN THE CENTRAL BANK, WHICH THE MINISTER OF ECONOMY, INDUSTRY, AND COMMERCE (MEIC) IS AUTHORIZED TO USE. THE JUSTIFICATION GIVEN FOR THE CREATION OF THIS FUND IS THE NEED TO UNDERTAKE IMMEDIATE FOREIGN PURCHASES OF FUEL TO ADEQUATELY FULFILL THE NATIONAL DEMAND.

3. AS REPORTED IN PREVIOUS CABLES, APART FROM PAYMENTS FOR IMPORTED REFINED PETROLEUM NEEDED TO SUPPLEMENT RECOPE'S OUTPUT, THIS MONEY WILL ALSO, PRESUMABLY, BE USED TO PAY OFF THE REMAINDER OF THE \$2.6 MILLION OWED TO ALLIED CHAMICAL FOR THOSE INVENTORIES AND ACCOUNTS RECEIVABLE WHICH CAME UNDER GOCR CONTROL WITH THE TRANSFER OF RECOPE. ACCORDING TO RECOPE'S MANAGER, PAUL COVERSTON, ALLIED IS HOPEFUL THAT THE GOCR CAN NOW PAY THE BALANCE DUE ON THE FIRST HALF OF THAT \$2.6 MILLION SOMETIME THIS WEEK AND COME ACROSS WITH THE REMAINING HALF UPON MEIC MINISTER KOGAN'S RETURN FROM EUROPE--HOPEFULLY BEFORE NEW YEAR'S DAY.

4. AMONG KOGAN'S PRINCIPAL REASONS FOR HIS EUROPEAN VISIT IS THE RENEGOTIATION OF THE "FRENCH DEBT" OWED BY RECOPE. COVERSTON OPINED THAT KOGAN WILL ASK FOR EITHER AN EXTENSION OF THE DEBT OR, BETTER YET, A GRACE PERIOD OF A FEW YEARS WITH GOOD TERMS WHEN PAYMENTS ARE RESUMED. COVERSTON BELIEVES THAT THE 100 PER ENT FRENCH GOVERNMENT OWNED HOLDER OF THE DEBT WILL HAVE NO CHOICE BUT TO COOPERATE WITH KOGAN.

5. COMMENT: STILL TO BE RESOLVED IS THE LEGAL PROBLEM POINTED OUT IN OUR REFTTEL. THE ASSEMBLY IS EXPECTED TO MEET IN EXTRAORDINARY SESSION TODAY OR TOMORROW TO BE "INFORMED" ABOUT THE TWO DECREES. THE PROBLEM IS, WHILE THE CONSTITUTION STATES THAT THE EXECUTIVE MUST PRESENT THE DECREE TO THE ASSEMBLY FOR ITS LIMITED OFFICIAL USE

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RECOGNITION (SU CONOCIMIENTO) ASSEMBLY STAFF LAWYERS INTERPRET THIS AS REQUIRING THE ASSEMBLY'S AUTHORIZATION. IT IS UNCLEAR HOW THIS WILL BE RESOLVED--PERHAPS IN THE FINAL ANALYSIS THE COURTS WILL HAVE TO DECIDE--BUT IN THE MEANTIME THE QUESTION MAY BE MOOT AS IT IS QUESTIONABLE WHETHER THE ASSEMBLY LEADERS CAN PUT TOGETHER A QUORUM DURING THE HOLIDAY SEASON.
VAKY

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